



**INITIAL COMMENTS  
ON THE SUMMER 2021 THROUGH SPRING 2022  
ELECTRIC PROCUREMENT EVENTS**

**PURSUANT TO SECTION 16.111.5(o) OF THE  
ILLINOIS PUBLIC UTILITIES ACT**

**Presented to:  
THE ILLINOIS COMMERCE COMMISSION**

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## **I. Introduction and Summary of Topics**

As the Illinois Commerce Commission’s (“Commission”) Procurement Monitor, we appreciate the opportunity to submit these comments in response to the Commission’s May 12, 2022 “Public Notice of Informal Hearing (Request for Comments) Concerning Electric Procurement Events Which Were Held From Summer 2021 Through Spring 2022” (“Request for Comments”). We served the Commission as its Procurement Monitor for all energy and capacity procurement events over this period, as we have for several years.

The Illinois procurement process for electricity products continues to work well and to the benefit of Illinois ratepayers. In these comments, we summarize and comment on the results of the eight energy and two capacity procurement events held between summer 2021 and spring 2022. We also provide a section that discusses how the procurement process mitigates the risks which high and volatile market price conditions pose to utilities and ratepayers.

## **II. Summary of Recent RFP Results**

We begin with a summary of the results of the ten procurements events – eight energy and two capacity – or Request for Proposals (“RFPs”) – held between summer 2021 and spring 2022,<sup>1</sup> which are shown below in Table 1.<sup>2</sup> Each procurement was held in accordance with Commission Orders.

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<sup>1</sup> The information in this report is publicly available. For each of these procurements, we provided the Commission with a detailed, confidential report summarizing the results and our analysis of the competitiveness of the procurements.

<sup>2</sup> The schedule of electric procurements is determined in advance by the Illinois Power Agency (“IPA”) and approved by the Commission. The IPA Plan for 2021 was accepted by the Commission in an Order Dated November 5, 2020, issued in Docket No. 20-0717 (“November 2020 Order”). The IPA Plan for 2022 was accepted by the Commission in an Order Dated November 4, 2021, issued in Docket No. 21-0717 (“November 2021 Order”).

Table 1: Electric Procurement Events Held Between Summer 2021 and Spring 2022

Date	Buyer	Product
Fall 2021	Ameren	Energy
Fall 2021	ComEd	Energy
Fall 2021	Ameren	Capacity
Spring 2022	Ameren	Energy
Spring 2022	ComEd	Energy
Spring 2022	MidAmerican	Energy
Spring 2022	Ameren	Capacity
Spring 2022 Supplemental	Ameren	Energy
Spring 2022 Supplemental	ComEd	Energy
Spring 2022 Supplemental	MidAmerican	Energy

### A. Fall 2021 Energy RFPs

In September 2021, Ameren and ComEd<sup>3</sup> held concurrent RFPs to procure energy to meet all or part of each utility’s remaining forecasted need for the three service years from October 2021 through May 2024. Energy contracts were procured in 25 MW “blocks” for each month in peak and off-peak segments. Energy procured was to be physically delivered to the utilities’ respective load zones.

The RFPs successfully procured 100 percent of Ameren and ComEd’s solicited blocks. The overall load-weighted average winning price for Ameren energy was \$41.09/MWh and \$37.15/MWh for ComEd.<sup>4</sup> The total value of the contracts signed as a result of the RFPs was about \$80.8 million for Ameren and \$366.3 million for ComEd. As required, all winning bids

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<sup>3</sup> Technically, all procurements are held by the Illinois Power Agency’s (“IPA”) procurement administrator, NERA Economic Consulting. For simplicity, we refer only to the utilities in the text of this document.

<sup>4</sup> Because ComEd sought proportionally more blocks in some months than Ameren, and vice versa, it is difficult to draw direct comparisons between these prices. Additionally, these numbers are derived from public information and rounded.

were priced below calculated benchmark values. The Commission approved the results of the RFPs on September 16, 2021.<sup>5</sup>

### **B. Fall 2021 Capacity RFP**

In September 2021, Ameren also procured “zonal resource credits” (“ZRCs”) for the 2022-2023 and 2023-2024 Planning Year, which extend from June 1, 2022, to May 31, 2023, and June 1, 2023, to May 31, 2024, respectively. Ameren, as a member of the Midcontinent Independent System Operator (“MISO”), must satisfy certain resource adequacy requirements. ZRCs represent a commitment of capacity from planning resources that can be relied upon by MISO, where each ZRC equals one MW of unforced capacity.

The RFP procured 51 percent of the total ZRCs solicited from three bidders. For the 2022-2023 Planning Year, the RFP procured 356 ZRCs at an average winning price of \$28.92/MW-day and a total contract value of approximately \$3.8 million. For the 2023-2024 Planning Year, the RFP procured 34 ZRCs at an average winning price of \$35.62/MW-day and a total contract value of approximately \$0.44 million. The average winning price for the ZRCs successfully procured was \$29.50/MW-day. As required, all winning bids were priced below the calculated benchmark values. The Commission approved the results of the RFP on September 15, 2021.<sup>6</sup>

### **C. Spring 2022 Energy RFPs**

The Spring 2022 Energy RFPs solicited sufficient energy to make sure that (a) at least 100 percent of each utility’s forecasted need for June 2022 to September 2022 would be filled and (b) 75 percent of the October 2022 to May 2023 need would be met. For the 2023-24 and 2024-25 delivery years, the 2022 RFPs – both the Spring and Fall 2022 RFPs combined – solicit up to 50 percent and 25 percent, respectively, of need with half procured in the Spring RFP and the remainder in the Fall RFP.<sup>7</sup> Energy contracts were again procured in 25 MW blocks for each month in peak and off-peak segments. The energy will be physically delivered to the utilities’

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<sup>5</sup> Illinois Commerce Commission, “Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Fall 2021 Procurement of Standard Energy Blocks,” September 16, 2021, available at: <https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2021/09/Public-Notice-of-Standard-Energy-Products-Procurement-Results-2021-09-16.pdf>.

<sup>6</sup> Illinois Commerce Commission, “Results of the AIC Capacity Procurement Event,” September 15, 2021, available at: [https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2021/09/Fall-2021-BEC-RFP-Capacity-Results\\_15-SEP-2021.pdf](https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2021/09/Fall-2021-BEC-RFP-Capacity-Results_15-SEP-2021.pdf).

<sup>7</sup> Illinois Power Agency, “2022 Procurement Plan filed for ICC Approval”, September 29, 2021, page 2, available at: <https://www2.illinois.gov/sites/ipa/Documents/IPAFiled2022ElectricityProcurementPlan29SEP2021.pdf>.

respective load zones. The Spring 2022 Energy RFPs procured only a portion of the targeted supply for Ameren and ComEd and procured no quantities for MidAmerican.

The overall load-weighted average winning energy prices were \$74.37/MWh for Ameren and \$51.04/MWh for ComEd. The RFP failed to procure any winning bids for MidAmerican (the quantity target was five blocks). The total value of the contracts was approximately \$350.4 million for Ameren and \$411.6 million for ComEd. As required, all winning bids were priced below calculated benchmark values. The Commission approved the results of the RFPs on April 21, 2022.<sup>8</sup>

#### **D. Spring 2022 Supplemental Energy RFPs**

Because the Spring 2022 Energy RFPs did not procure all targeted quantities, and in accordance with Section 16-111.5 of the Illinois Power Agency Act, NERA, Bates White and the ICC Staff met within 10 days of the April 18, 2022 bid day to analyze the potential causes of the unfilled targets and to determine whether to hold a supplemental procurement event within 90 days to target any unfilled quantities. The parties determined that a supplemental procurement event should be held to target any unfilled quantities for the months June 2022 to September 2022. Any unfilled quantities in months beyond September 2022 will be added to procurement targets for the Fall 2022 Energy RFPs.

Bid day for the supplemental RFPs was May 16, 2022. The supplemental RFPs procured 100 percent of Ameren's targeted blocks and a portion of blocks targeted for ComEd and MidAmerican. The overall load-weighted average winning energy prices were \$132.67/MWh for Ameren, \$107.87/MWh for ComEd, and \$161.92/MWh for MidAmerican.<sup>9</sup> The total value of the contracts was approximately \$104.6 million for Ameren and \$492.2 million for ComEd.

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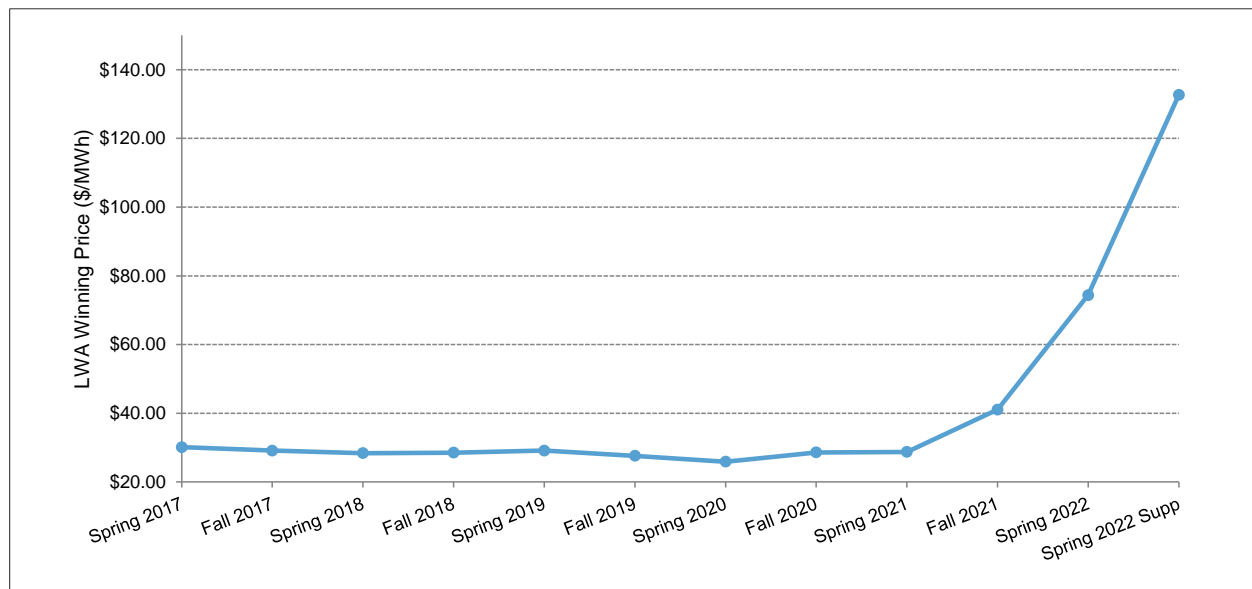
<sup>8</sup> Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Spring 2022 Procurement of Standard Energy Blocks," April 21, 2022, available at: <https://www2.illinois.gov/sites/ipa/Documents/public-notice-of-standard-energy-products-procurement-results-2022-04-21.pdf>.

<sup>9</sup> Because ComEd sought proportionally more blocks in some months than Ameren, and vice versa, it is difficult to draw direct comparisons between these prices. Additionally, MidAmerican's low quantity of total bids solicited confounds comparisons with the other utilities. As we have discussed in previous comments, the small size of MidAmerican's procurements can dissuade bidders from participating. In previous comments, we observed low participation has hindered MidAmerican's ability to consistently procure 100% of its target solicitation. As long as MidAmerican's solicitations remain small, we expect to observe similar results in future procurements.

As required, all winning bids were priced below calculated benchmark values. The Commission approved the results of the RFPs on May 20, 2022.<sup>10</sup>

Figures 1 and 2 show, respectively, the recent load-weighted average winning prices observed in recent Ameren and ComEd energy RFPs, going back to the Spring of 2017.<sup>11</sup> We provide comments on prices in Section III below.

*Figure 1: Recent Load-Weighted Average Winning Prices, Ameren Energy RFPs (\$/MWh)*

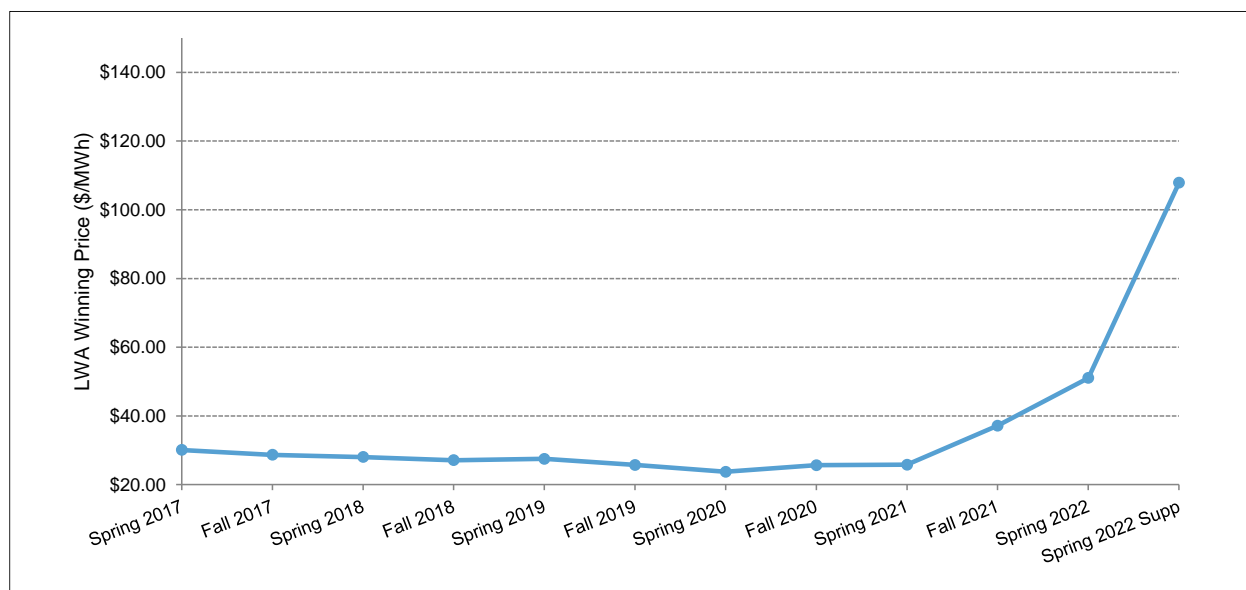


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<sup>10</sup> Illinois Commerce Commission, “Supplemental Procurement Events Results,” May 20, 2022, available at: [https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2022/05/Supplemental-RFP-Results\\_20-MAY-2022.pdf](https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2022/05/Supplemental-RFP-Results_20-MAY-2022.pdf).

<sup>11</sup> The prices shown in Figures 1 and 2 are load-weighted average prices that are derived from public information and rounded. They represent the average price observed for all products procured in that procurement. For example, the price shown for the Spring 2017 RFP is the load-weighted average price for all products procured at that procurement, which included three years of future energy delivery of both peak and off-peak products. Also, since the number of products solicited in each RFP varies both seasonally and with changes in load forecasts, direct price comparisons are made more challenging.

Figure 2: Recent Load-Weighted Average Winning Prices, ComEd Energy RFPs (\$/MWh)



### E. Spring 2022 Capacity RFP

For the fifth consecutive year, the IPA's Procurement Plan called for Ameren to hold two RFPs to procure ZRCs – one in the spring and one in the fall. Also, as it has done regularly since 2019, the IPA also included a second delivery year in the 2022 capacity procurement plan. Thus, in an April 2022 RFP, Ameren procured ZRCs for both the 2023-2024 Planning Year, which extends from June 1, 2023, to May 31, 2024, and the 2024-2025 Planning Year, which extends from June 1, 2024, to May 31, 2025. As explained above, this procurement is used to help satisfy certain resource adequacy requirements Ameren has as a member of MISO. ZRCs represent a commitment of capacity from planning resources that can be relied upon by MISO, where each ZRC equals one MW of unforced capacity.

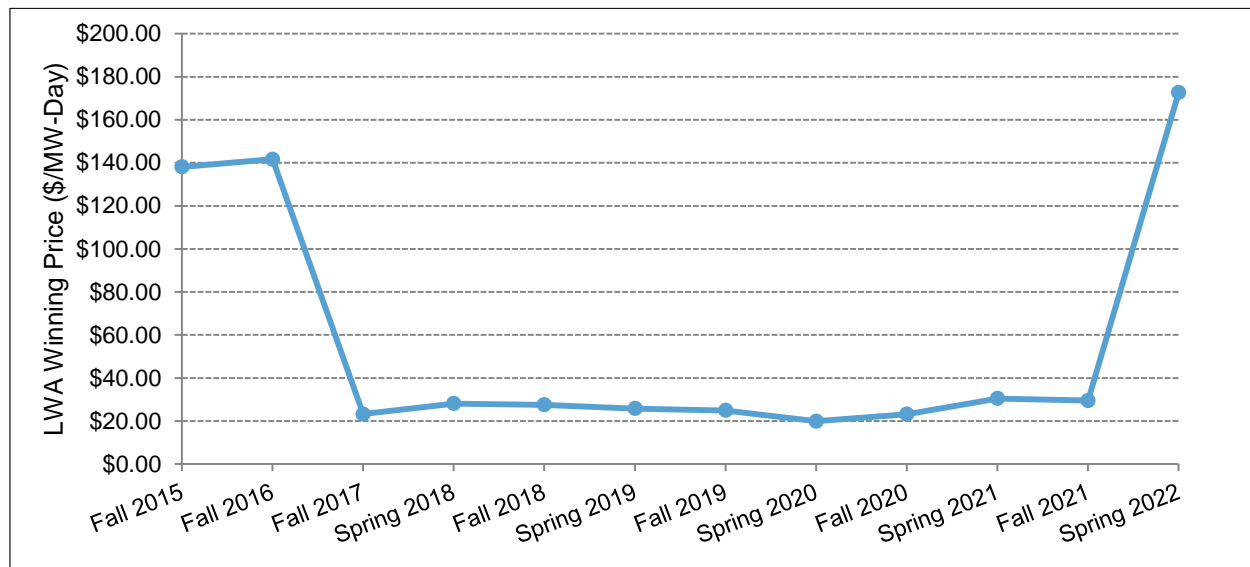
The RFP procured 100 percent of the total ZRCs solicited from three bidders. For the 2023-2024 Planning Year, the RFP procured 807 ZRCs at an average winning price of \$180.40/MW-day and a total contract value of approximately \$53.1 million. For the 2024-2025 Planning Year, the RFP procured 286 ZRCs at an average winning price of \$150.72/MW-day and a total contract value of approximately \$15.7 million. As required, all winning bids were



priced below the calculated benchmark values. The Commission approved the results of the RFPs on April 27, 2022.<sup>12</sup>

Figure 3 shows the average winning price for ZRCs for all RFPs held since 2015.<sup>13</sup> We provide comments on prices in Section III below.

Figure 3: Recent Average Winning Prices, Ameren ZRC RFPs (\$/MW-day)



## F. Bates White's Reports and Recommendations on All Ten Procurements

Following each of the ten procurements held between summer 2021 and spring 2022, we provided a confidential report to the Commission that presented the procurement results and assessed bidder behavior and compliance with the rules. In each case, we recommended the Commission approve the results. We did so for several reasons, including: (a) the RFP processes were open, fair, and transparent; (b) the procurement events were run in accordance with the requirements of the Acts and Commission-approved rules; (c) the benchmarks were properly calculated and applied to the bids; and (d) we did not identify concerns with the actions of any affiliates of Ameren, ComEd, or MidAmerican, as applicable. Overall, the Illinois RFPs

<sup>12</sup> Illinois Commerce Commission, "Results of the AIC Capacity Procurement Event," April 27, 2022, available at: [https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2022/04/Spring-2022-BEC-RFP-Capacity-Results\\_27-APR-2022.pdf](https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2022/04/Spring-2022-BEC-RFP-Capacity-Results_27-APR-2022.pdf).

<sup>13</sup> The prices shown in Figure 3 are average winning prices that are public information. They represent the average price observed for all products procured in that procurement. For example, the price shown for the Fall 2015 RFP is the average price for all ZRCs procured at that procurement, which were to be delivered in the 2016-2017 Delivery Year.

continue to succeed in leveraging the power of competition for Ameren, ComEd, and MidAmerican ratepayers. The procurements employ best practices to the benefit of ratepayers, a point we have made in the past.<sup>14</sup>

### **III. Recent Market Price Increases and Volatility Demonstrates Importance of Hedging, Spreading of Procurement Event Dates**

In this brief section, we discuss how the Illinois procurement process' structure reduces the impact of volatile markets on utility customers. We begin by explaining the market conditions observed in 2022. We then explain how the Illinois procurement events help mitigate exposure to high prices and volatile markets.

#### **A. Market Conditions in 2022**

The market conditions in 2022 were among the most challenging in our tenure as Procurement Monitor. Prices for every primary fuel that powers the generators of PJM and MISO have increased dramatically in price from one year ago. This includes coal, uranium, and natural gas, all of which saw very large year-over-year price increases. Both spot and futures prices for electricity products have also increased substantially over that period.

Figure 4 below shows daily Henry Hub natural gas spot prices from May 2017 through May 2022.<sup>15</sup> The figure shows a steep rise in prices in the second half of 2021 and continuing into 2022. Spot prices in April 2022 were up approximately 148 percent from prices in April 2021.<sup>16</sup> Gas-fired power plants constitute 26.3 percent of all installed capacity in PJM,<sup>17</sup> and on May 25, 2022, provided 37.4 percent of energy produced in PJM that day.<sup>18</sup> In MISO, natural

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<sup>14</sup> See, for example, Vincent Musco, "The unsung benefits of *wholesale* competition to electric utility customers who forgo *retail* competition," *The Electricity Journal*, Volume 30, 2017, pages 23 to 29.

<sup>15</sup> The Y-axis of Figure 1 stops at \$10/MMBtu. There is a data point at which natural gas prices exceed this limit; in February 2021, Henry Hub natural gas spot prices briefly hit over \$23/MMBtu amid colder-than-normal weather in the continental United States. U.S. Energy Information Administration, "Cold weather brings near record-high natural gas spot prices," March 5, 2021, available at: <https://www.eia.gov/todayinenergy/detail.php?id=47016>.

<sup>16</sup> U.S. Energy Information Administration, "Henry Hub Natural Gas Spot Price," available at: <https://www.eia.gov/dnav/ng/hist/rngwhhdM.htm>.

<sup>17</sup> Monitoring Analytics, "State of the Market Report for PJM – Volume 1: Introduction," March 10, 2022, page 72, available at: [https://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2022/2022q1-som-pjm-sec1.pdf](https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2022/2022q1-som-pjm-sec1.pdf).

<sup>18</sup> PJM, "Markets & Operations – Generation Fuel Mix," available at: <https://www.pjm.com/markets-and-operations.aspx>.

gas-fired plants represent 46 percent of all generation capacity and provided 34 percent of all energy in 2020.<sup>19</sup>

Figure 4: Henry Hub Spot Natural Gas Prices (\$/MMBtu)<sup>20</sup>

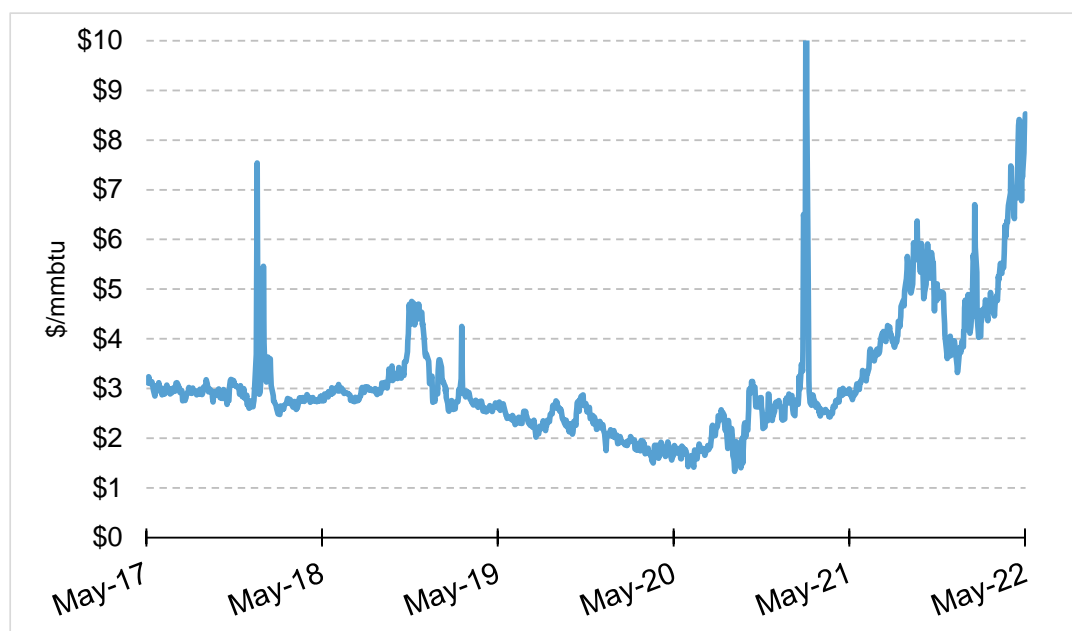


Figure 5 shows Henry Hub Natural Gas futures prices for delivery in June 2022. As with spot prices, futures prices exhibited a steep rise in price, beginning in the second half of 2021

<sup>19</sup> Potomac Economics, “IMM Quarterly Report Winter 2022,” slide 15, available at:

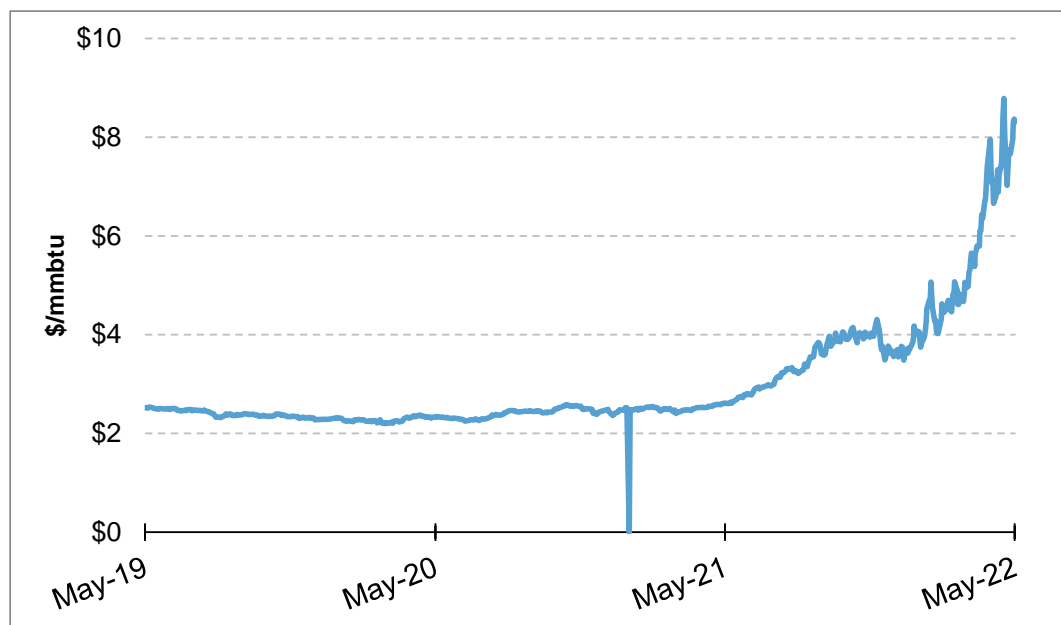
[https://www.potomaceconomics.com/wp-content/uploads/2022/04/IMM-Quarterly-Report\\_Winter-2022-MSC.pdf](https://www.potomaceconomics.com/wp-content/uploads/2022/04/IMM-Quarterly-Report_Winter-2022-MSC.pdf).

See also, Potomac Economics, “2020 State of the Market Report,” Table 1.

<sup>20</sup> The data used to create the figures in this section are drawn from S&P Market Intelligence. © 2022 S&P Global Market Intelligence (and its affiliates, as applicable) (individually and collectively, “S&P”). Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of S&P. S&P does not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall S&P be liable for any damages, costs, expenses, legal fees or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold such investment or security, does not address the sustainability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.

and continuing into 2022. The futures price for the June 2022 contract in April 2022 increased approximately 170 percent from prices in April 2021.<sup>21</sup>

Figure 5: June 2022 Henry Hub Natural Gas Futures (\$/MMBtu)



Coal markets have seen similar price movement. Figure 6 below shows API-2 coal prices for the June 2022 forward term. As with natural gas prices, the figure shows a sharp rise in prices in the second half of 2021 and through into 2022. Futures prices in April 2022 for the June 2022 contract were up approximately 297 percent from prices in April 2021. Coal-fired power plants make up 24.2 percent of all installed capacity in PJM,<sup>22</sup> and on May 25, 2022, provided 18 percent of energy produced in PJM that day.<sup>23</sup> In MISO, coal-fired plants represent 34 percent of all generation capacity and provided 34 percent of all energy in 2020.<sup>24</sup>

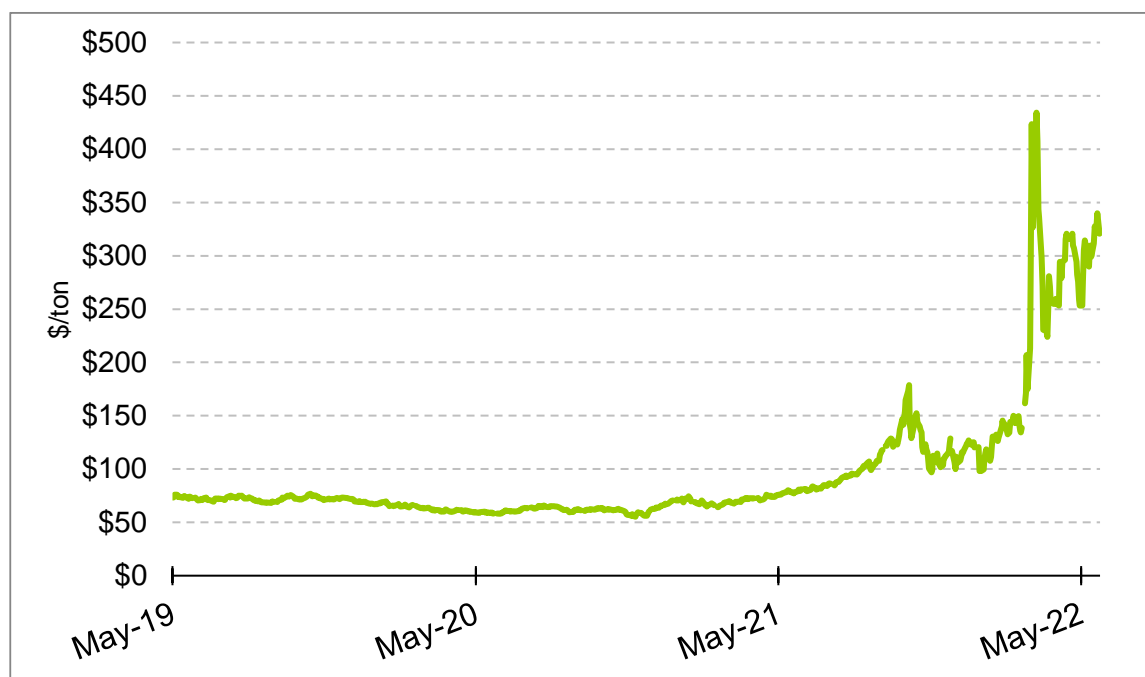
<sup>21</sup> S&P Market Intelligence.

<sup>22</sup> Monitoring Analytics, “State of the Market Report for PJM – Volume 1: Introduction,” March 10, 2022, page 72, available at: [https://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2022/2022q1-som-pjm-sec1.pdf](https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2022/2022q1-som-pjm-sec1.pdf).

<sup>23</sup> PJM, “Markets & Operations – Generation Fuel Mix,” available at: <https://www.pjm.com/markets-and-operations.aspx>.

<sup>24</sup> Potomac Economics, “IMM Quarterly Report Winter 2022,” slide 15, available at: [https://www.potomaceconomics.com/wp-content/uploads/2022/04/IMM-Quarterly-Report\\_Winter-2022-MSC.pdf](https://www.potomaceconomics.com/wp-content/uploads/2022/04/IMM-Quarterly-Report_Winter-2022-MSC.pdf). See also, Potomac Economics, “2020 State of the Market Report,” Table 1.

Figure 6: API-2 Coal Futures, June 2022 Forward Term



Prices for nuclear fuel, which make up about 17 percent of PJM’s installed capacity<sup>25</sup> and provided approximately 17 percent of MISO’s energy in 2020,<sup>26</sup> have also increased in the second half of 2021 and through to 2022. We observed year-over-year price increases in April 2022 for uranium ( $U_3O_8$ ) futures contracts of approximately 135 percent.

Unsurprisingly, electricity prices – both spot and futures contracts – have also increased substantially from a year ago, a topic that has been widely reported.<sup>27</sup> Figure 7 and Figure 8 below show day-ahead strip prices at the MISO Illinois Hub and PJM Western Hub. These figures show that wholesale power prices below \$40/MWh were the norm since 2019; however, starting in the second half of 2021, prices began to sharply increase, and that increase has continued into 2022. For example, the April 2022 average day-ahead strip price at the Illinois Hub increased 128 percent year-over-year, while the price for PJM West increased 147 percent over that period.

<sup>25</sup> Monitoring Analytics, “State of the Market Report for PJM – Volume 1: Introduction,” March 10, 2022, page 72.

<sup>26</sup> Potomac Economics, “2020 State of the Market Report,” Table 1.

<sup>27</sup> See, for example, Howland, Ethan, “FERC to monitor gas, power markets for manipulation as forward summer electricity prices jump up to 233%,” *UtilityDive*, May 20, 2022, available at: <https://www.utilitydive.com/news/ferc-gas-power-electricity-markets-prices-manipulation-/624120/>.

Figure 7: MISO Illinois Hub Day-Ahead Strip Prices (\$/MWh)

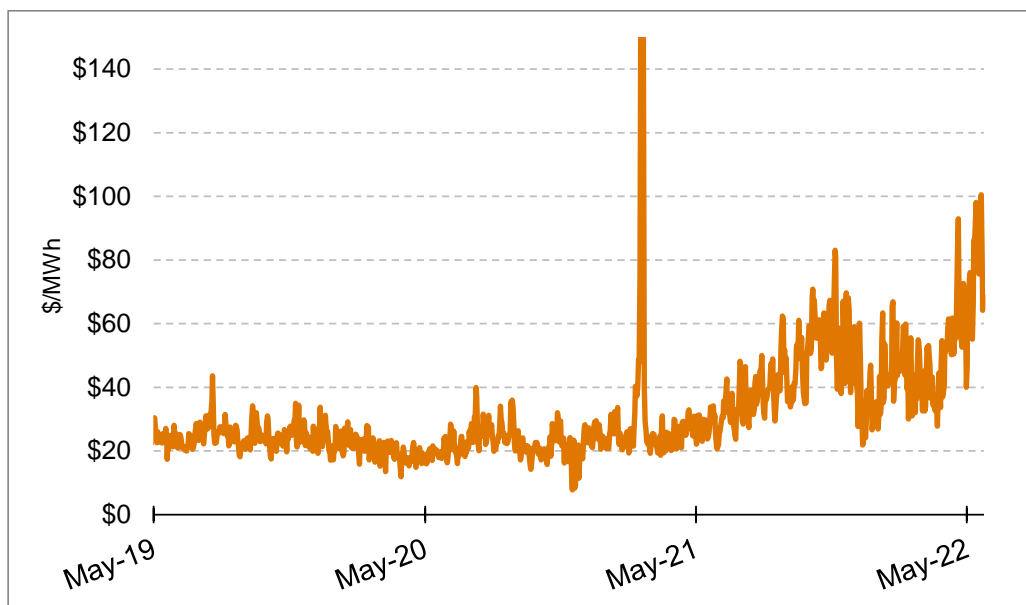


Figure 8: PJM Western Hub Day-Ahead Strip Prices (\$/MWh)

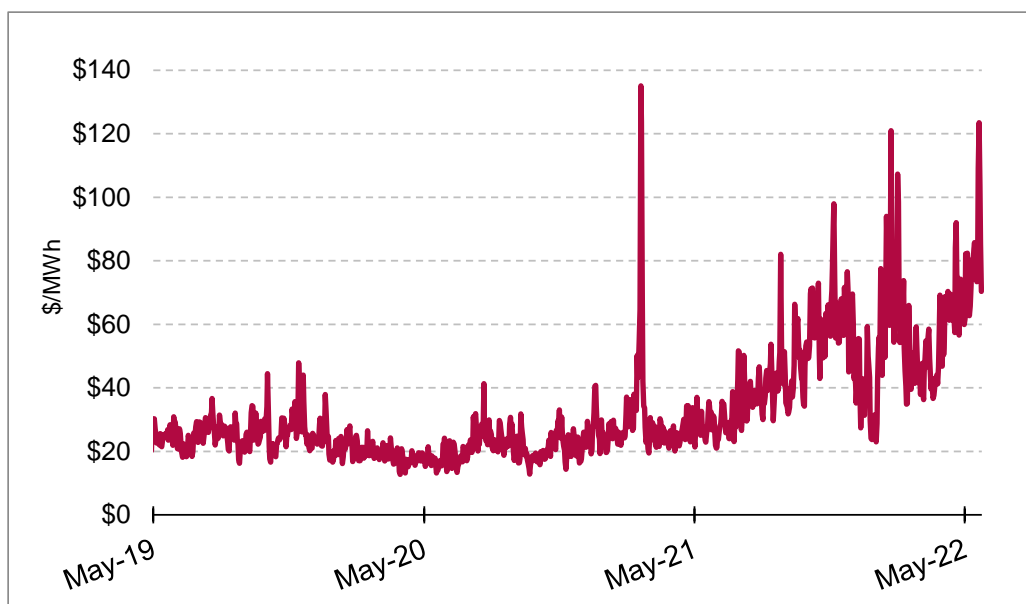
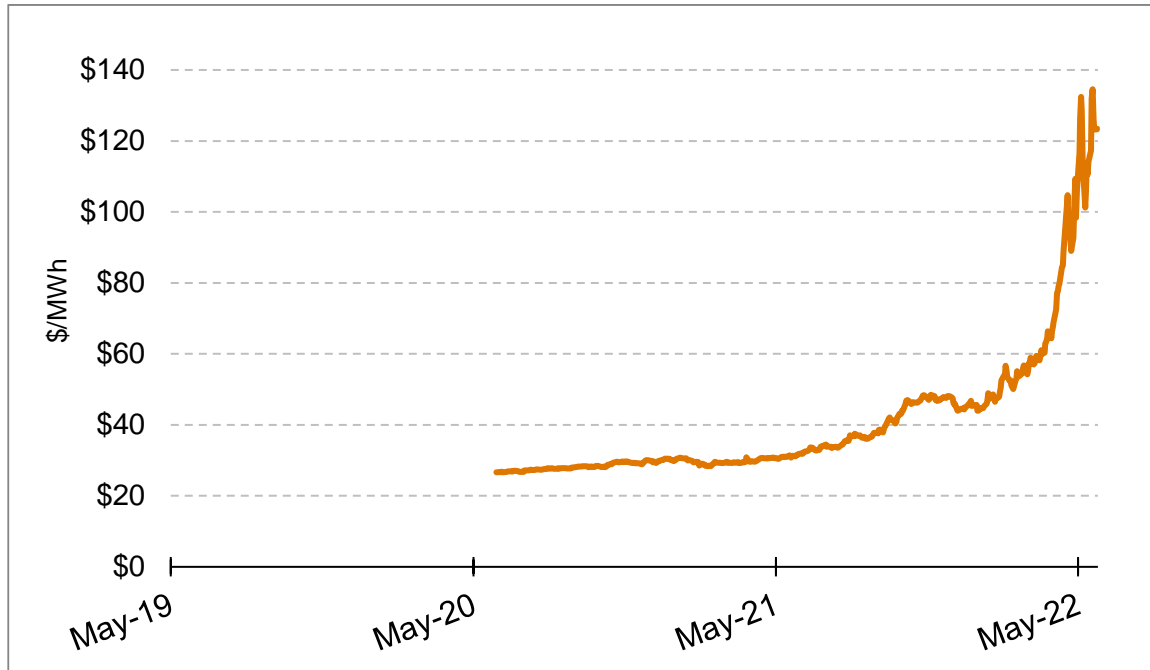


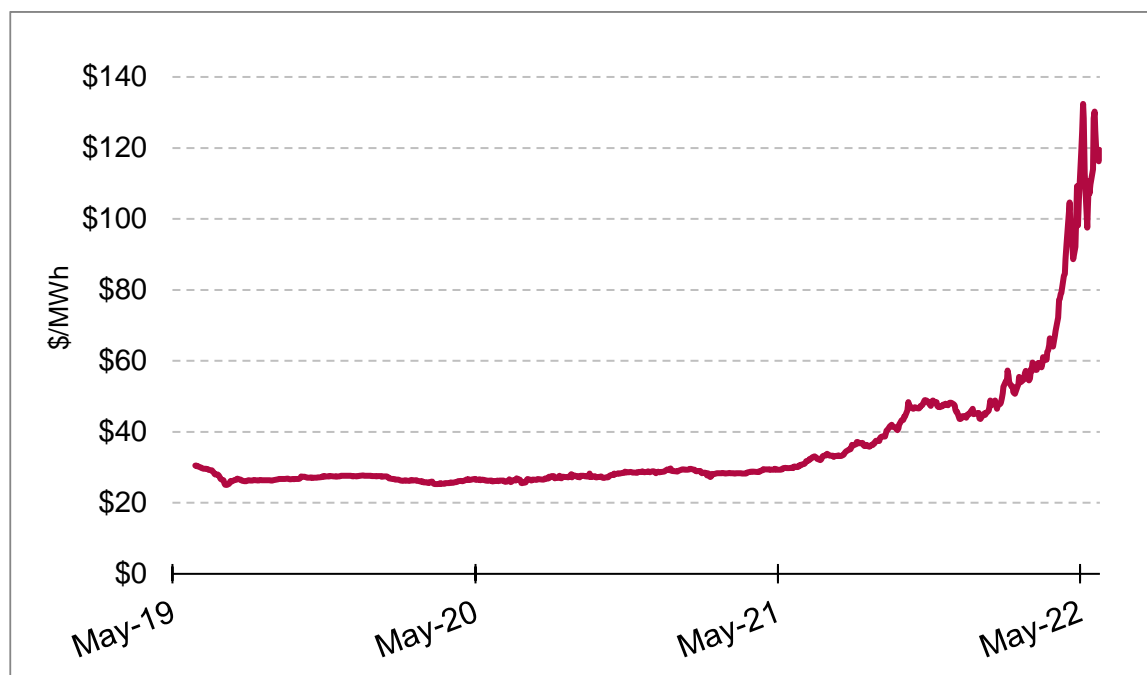
Figure 9 and Figure 10 show Illinois Hub and PJM West futures prices for delivery in June 2022. As with day-ahead prices, futures prices exhibited a steep rise in price, beginning in the second half of 2021 and accelerating in 2022.<sup>28</sup>

Figure 9: MISO Illinois Hub 5 MW June 2022 On-Peak Day-Ahead LMP Futures



<sup>28</sup> Data for the Illinois Hub forward price is not available until May 2020.

Figure 10: PJM West June 2022 On-Peak Real-Time LMP Futures



In addition to high prices, the markets for these fuels and electricity products have also been abnormally volatile. Volatility refers to price fluctuations, as measured by day-to-day changes in prices for a given product. Prices can be high, but not volatile; prices can be volatile, but low. Here, during 2022, prices have risen to historically high levels, and have seen elevated volatility as well.

#### **B. How the Illinois Procurement Events Help Reduce Ratepayer Risk Exposure During Periods of High and Volatile Prices**

As we demonstrate in Section II above, the elevated price volatility and higher market price conditions present in the spring of 2022 did not spare the Spring 2022 Energy RFPs. Ameren's load-weighted average price (\$74.37/MWh) was approximately 159 percent higher than the load-weighted average price for Ameren in the Spring 2021 Energy RFPs (\$28.74/MWh). ComEd's Spring 2022 Energy RFP price (\$51.04/MWh) increased by approximately 98 percent (from \$25.81/MWh).

Despite the higher prices, the Spring 2022 Energy RFPs only underscore the merits of Illinois' approach to block energy procurement. By procuring portions of forecasted load in the three years prior to a delivery year in biannual procurements, the impact that one procurement event can have on utility default service rates is limited. These procurement events take place months or years apart from one another, "smoothing" the impact of volatile energy markets and



mitigating the risk associated with such volatility and helping to produce more stable rates for customers.

To help illustrate how Illinois' approach to block energy procurement works, consider a single product: ComEd's on-peak energy need in September 2022. Table 2 below shows the weighted average price and quantity procured of on-peak energy to be delivered in September 2022 to ComEd.<sup>29</sup> Six procurement events have targeted and procured this product for ComEd. The Spring 2020 RFP was the first event which solicited energy for delivery in September 2022, with ComEd procuring 275 MW of on-peak energy at an average price of \$26.40 per MWh. Though modest in quantity in comparison to the combined 1,650 MW procured in the Spring 2022 and Spring 2022 Supplemental RFPs, the lower average price from the Spring 2020 RFP reduces the weighted average price of the energy delivered in September 2022.

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<sup>29</sup> The data in this table are drawn from the results posted to the IPA's website: <https://www.ipa-energyrfp.com/previous-rfps/>. The specific documents are as follows: Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Spring 2020 Procurement of Standard Energy Blocks," April 24, 2020, page 9, available at: <https://www.ipa-energyrfp.com/2020-block-energy-aic-comed-and-mec-and-capacity-aic-rfps/>. Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Fall 2020 Procurement of Standard Energy Blocks," September 18, 2020, page 7, available at: <https://www.ipa-energyrfp.com/2020-block-energy-aic-comed-and-mec-and-capacity-aic-rfps/>. Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Spring 2021 Procurement of Standard Energy Blocks," April 9, 2021, page 8, available at: <https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2021/04/Public-Notice-of-Standard-Energy-Products-Procurement-Results-2021-04-09.pdf>. Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Fall 2021 Procurement of Standard Energy Blocks," September 16, 2021, page 8, available at: <https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2021/09/Public-Notice-of-Standard-Energy-Products-Procurement-Results-2021-09-16.pdf>. Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Spring 2022 Procurement of Standard Energy Blocks," April 21, 2022, page 8, available at: <https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2022/04/Public-Notice-of-Standard-Energy-Products-Procurement-Results-2022-04-21.pdf>. Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Supplemental Spring 2022 Procurement of Standard Energy Blocks," May 20, 2022, page 4, available at: <https://www.ipa-energyrfp.com/wordpress/wp-content/uploads/2022/05/Public-Notice-of-Supplemental-Standard-Energy-Products-Procurement-Results-2022-05-20.pdf>.

Table 2: Average Prices for the September 2022 On-Peak Delivery Period, ComEd

Auction	Average Price (\$/MWh)	Quantity Procured (MW)
Spring 2020	\$26.40	275
Fall 2020	\$28.06	325
Spring 2021	\$28.56	375
Fall 2021	\$40.49	375
Spring 2022	\$103.25	275
Spring 2022 Supplemental	\$115.42	1,375
Weighted Average Price & Total Quantity	\$76.46	3,000

Table 2 demonstrates that the prices observed in the Illinois Energy RFPs can change over time, and since no one can credibly and accurately predict market prices in advance, spreading the procurement of energy blocks out over several procurements across a three-year period helps to reduce the risk of paying high prices for most or all of a utility’s needed energy. Consider, for example, if it was Illinois’ strategy to procure 100 percent of targeted blocks in the Spring prior to the start of a given delivery year. Here, in the example in Table 2, ComEd would have paid at least \$103.25/MWh for all procured blocks, rather than \$76.46/MWh.

In addition, it is important to recall the purpose of the Illinois energy procurements is to hedge exposure to the wholesale power markets in PJM and MISO. So, while Spring 2022 Energy RFP prices were historically higher, they are serving to hedge customers against paying variable wholesale market prices in future months. PJM and MISO prices are likely to be more volatile due to their short-term duration (day-ahead, real-time)—and wholesale prices in the coming months are expected to remain high and volatile.<sup>30</sup>

Moreover, even in times of higher and more volatile prices, which may lead bidders to include risk premiums or otherwise alter their bid strategy, bidders still face the competitive pressures inherent in the Illinois procurement process. First, bidders must compete with a benchmark, whereby all bids that do not beat the benchmark are eliminated from further consideration. Second, bidders must compete with other bidders, with no knowledge of the number of other bidders or the details of the bids. This creates pressure and incentive for bidders to offer their most competitive bids to maximize their chances of success.

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<sup>30</sup> U.S. Energy Information Administration, “Short-Term Energy Outlook: Summer 2022 Electricity Industry Outlook,” May 2022, page 2, available at: [https://www.eia.gov/outlooks/steo/special/summer/2022\\_summer\\_electricity.pdf](https://www.eia.gov/outlooks/steo/special/summer/2022_summer_electricity.pdf).

Another point worth noting is that the high and volatile prices in electricity products are clustered in the near-term. For example, average winning prices in the Spring 2022 Energy RFPs for monthly products in the 2022-2023 delivery year were far higher than those in the 2023-2024 and 2024-2025 delivery years. Futures prices for electricity products, fuel, and other commodities demonstrate a similar trend, suggesting that market participants do not, at this point, expect these elevated prices to last. This also helps put the results of the supplemental RFPs into a better context: while average prices were higher than historical RFPs, the products procured were for near-term months (June 2022 through September 2022).

Going forward, we cannot know whether the prices and market conditions observed in the spring of 2022 will be a temporary event or part of a more enduring trend. Forecasting energy and wholesale power prices over longer periods of time is notoriously difficult, and made more so by external, unpredictable events. Given the more interconnected, global nature of current energy markets,<sup>31</sup> some external events, such as the war in Ukraine, can have outsized impacts on energy markets around the world, including the U.S. Such events can influence other unpredictable events, such as the recently announced upcoming action by the U.S. to remove certain economic sanctions on Venezuela which would allow Chevron Corporation to negotiate its license to operate in in the country.<sup>32</sup>

The net effect of these events (and others to come) remains to be seen, and in the meantime ensures uncertainty in the energy markets, and by extension, markets for electricity products. No matter the conditions, the Illinois approach to procuring energy blocks remains sound and effective. The approach continues to hedge ratepayers' exposure to the short-term wholesale power markets in PJM and MISO, and does so in a manner that avoids speculation about market conditions or market prices, spreading the procurement out across three years and several procurements. The procurement process continues to rely on best practices that leverage competition and fixed-price contracts with ratepayer protections to drive better outcomes for ratepayers. These benefits will continue to accrue to ratepayers whether prices remain elevated or return to historical norms.

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<sup>31</sup> See, for example, Intercontinental Exchange, "How energy markets are evolving," September 2020, available at: <https://www.theice.com/insights/market-pulse/how-energy-markets-are-evolving>.

<sup>32</sup> Bloomberg, "US to Ease Sanctions on Venezuela, Enabling Cargoes to Europe," May 17, 2022, available at: <https://www.bloomberg.com/news/articles/2022-05-17/us-to-lift-some-sanctions-on-venezuelan-oil-ease-chevron-talks>.